



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 1998 B1
SACRAMENTO CA 94267-1998

Interest or interest-dividends paid on non-California municipal bonds during 1999 to individuals or partnerships with a California address must now be reported to the California Franchise Tax Board. The filing requirement applies whether the bond is held directly by the individual or partnership, or through a mutual fund, money market fund, a unit investment trust, or other financial investment vehicle. We put together this package to help you meet the requirements.

This requirement became law two years ago with an amendment to the California Revenue and Taxation Code Section 18639. The amendment requires an information return from payers paying interest or interest-dividend income on federally tax exempt bonds issued by non-California governmental entities (municipal bonds). Examples include bonds issued by counties, cities, sewer facilities, and education boards that are located outside California. Payments of interest or interest-dividends aggregating \$10 or more on these types of municipal bonds paid to individuals or partnerships with a California address must be reported. The filing requirement is applicable for payments of interest made on or after January 1, 1997 (for 1997 or subsequent tax years).

Payments of Interest income must be reported on a per bond basis and each bond is to be identified by the CUSIP number. The format specifications for each record are similar to IRS specifications contained in IRS Publication 1220 (REV 8/99) which covers Revenue Procedure 99-29. Exceptions to the IRS specifications are listed on page 2 of this letter. For **Payments of interest-dividends**, report the total distribution to each shareholder instead of CUSIP numbers or individual bond information. Also, provide the percentage of the fund's portfolio income distribution attributable to bonds of California, Puerto Rico, Guam, and the Virgin Islands. Formatting instructions for these reports are detailed in subsequent pages.

You are required to inform payees by January 31, 2000, that this information is being reported to the California Franchise Tax Board.

Please provide the name, telephone number and mailing address of your company's customer service representative. Your customers who have questions concerning information you provided will be referred to this person.

If you are a non-clearing firm or do not maintain your own accounts, please forward this request to the firm that services your accounts. It is not necessary for you to inform us that you have forwarded the request.

Our filing requirement is patterned after New York State's information return filing requirement which has been in place for about ten years. Although it is only two years old in California, the financial services industry has developed a track record of reporting this information. Many of these institutions either have, or are in the process of developing, software to report the required information to us.

If you have **250 or more** returns, you must provide the information on magnetic media. See the Magnetic Media Transmittal and instructions on page 3.

- We will accept IBM compatible cartridges in addition to reel tapes and diskettes.
- Submit either 3.5" or 5.25" diskettes formatted on an MS-DOS/PC-DOS operating system. Files should be in standard ASCII code. ZIP files are acceptable if correctly formatted.

If you have **fewer than 250** returns, you must provide the information on either magnetic media or paper. For paper filing, use the Hard Copy Reporting Form provided on page 5 to submit all of the following:

- For all returns submitted, include the social security number, name, address, interest or interest dividend earned and the customer account number. For bonds also provide the CUSIP number of the bond and a description. For mutual funds provide the CUSIP number of the fund and the percentage of mutual fund portfolio income distribution attributable to bonds issued by California, Puerto Rico, Guam, and the Virgin Islands (rounded to the nearest whole number).
- Make additional copies of the Hardcopy Reporting Form as necessary.

The due date for furnishing the information returns for payments of interest or interest-dividends made during 1999 is June 1, 2000. ***Please provide this information separately from other interest or dividend information returns (generally due annually on February 28).***

For assistance with reporting information on magnetic media or paper, contact the Franchise Tax Board Magnetic Media Office at (916) 845-3778. If you have other questions regarding this reporting requirement, call (916) 845-6660.

Please note the following modifications to the IRS Publication 1220 specifications:

BONDS

- Use 1099-B format to record earnings on each state or local government bond. Report the income as if it were taxable for federal purposes. Note: A return is due for each bond on which interest was paid.
- Record payment amounts in positions 55-66 of the payee "B" record. Right-justify, zero-fill.
- Enter both the CUSIP number and security name on the record. Enter the CUSIP number in position 556-568. Left-justify, blank-fill.
- Enter the issuer or security name in positions 569-607. Left-justify, blank-fill.

FUNDS

- Use 1099-B format to record earnings from mutual funds, money market funds, and unit investment trusts. Report the income as if it were taxable for federal purposes.
- Use a separate "A" record for each fund reported. Use positions 40 - 42 of the "A" record to report the percentage of mutual fund portfolio income distribution attributable to bonds issued by California, Puerto Rico, Guam and the Virgin Islands, rounded to the nearest whole number – e.g. 25.4% would be reported as 025. 25.5% would be reported as 026.
- Enter payment amounts in positions 55-66 of the payee "B" record. Right-justify, zero-fill.



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-6090

**Federally Tax Exempt Non-California Bond Interest and
Interest-Dividend Payment Information**

MAGNETIC MEDIA TRANSMITTAL

Tax Year _____ Date File Submitted _____

Please complete the following information, attach additional sheets if needed, and forward this form(s) with the file. See reverse side for additional instructions.

Transmitter Information

FEIN:	Type of file submitted (circle one): Original Replacement Correction Test
Name, Address, City, State, ZIP Code	

Payer Information

List name of payers and respective payee totals for the records reported on this file.

Name:	Name:
FEIN:	FEIN:
No. of Payees:	No. of Payees:
\$	\$

Name:	Name:
FEIN:	FEIN:
No. of Payees:	No. of Payees:
\$	\$

Name:	Name:
FEIN:	FEIN:
No. of Payees:	No. of Payees:
\$	\$

Name:	Name:
FEIN:	FEIN:
No. of Payees:	No. of Payees:
\$	\$

GRAND TOTALS-

Number of payee records reported by all payers:

Total of all payment amounts reported for all payers:

Under penalties of perjury, I declare that I have examined this return, including accompanying records on magnetic media, and to the best of my knowledge and belief, it is true, correct and complete. In the case of records without recipients' identifying numbers I have complied with the requirements of the law by requesting such numbers from the recipients, but did not receive them.

Signature _____ Title _____ Date _____

Media Characteristics

TAPES/CARTRIDGES	Sequence	External Label #	DISKETTES
Internal Header Labels (circle one): Yes No	1 of		Filename Used for Reporting: BONDINT Density (circle one): Single Double
Recording Mode (circle one) EBCDIC ASCII	2 of		
	3 of		
	4 of		
	Record Length = 750, Blocksize = _____	Person to contact for media problems:	
Cartridge Compatibility (Circle one): 3480 3490	Name _____ Telephone _____ Ext. _____		

PREPARATION INSTRUCTIONS

A. Form Preparation

Prepare a separate transmittal form for each type of media; i.e., if your organization reports on both tape and diskette then each type of media must be accompanied by a transmittal form. It must be prepared in the manner described below.

1. Transmitter Information

Indicate whether the data on the media file is the original installment, a correction of specific original records, a replacement for the original file, or a test file. Note: To submit test file(s) contact the Franchise Tax Board Magnetic Media Unit at (916) 845-3778. Test files are not mandatory.

Enter the name, address, city/state/zip code and FEIN of the organization transmitting the magnetic media.

2. Payer Information

List the payer name, Fein, the number of payee documents and the corresponding dollar amount. If more room is needed to list additional payers, fill out and attach additional forms.

Accumulate and enter: (1) the total number of payee returns reported by all payers, and; (2) the total of all payment amounts reported by all payers. If this information is reported on an attached computer list it must be carried forward to the "GRAND TOTAL" line.

The affidavit signature line must be properly signed and dated by the person to whom the organization has delegated this responsibility. An organization transmitting for others may sign the form provided written permission has been granted by the payer(s). If permission is granted, the organization becomes the payer's agent and assumes responsibility for data quality and completeness.

3. Media Characteristics

Indicate the tape/diskette recording characteristics by circling the appropriate information and completing the appropriate boxes. This information should be obtained from someone in your data processing department familiar with this reporting procedure. Please consult that source if help is needed.

If your information is reported on magnetic tape reels, enter the reel sequence number so that we can mount them in the proper order. Enter the corresponding external reel numbers assigned by your organization.

4. Contact Information

Enter the name and telephone number of a person we can contact for technical information or to resolve media problems.

B. File Preparation

1. If multiple volumes are submitted, list the volume sequence numbers on the media labels (i.e., 1 of 2, 2 of 2). If only one media file is submitted, list it as "1 of 1".
2. The filename BONDINT must be used for diskette files. If a file consists of more than one diskette, add a 3-digit extension to the filename; e.g., BONDINT.001, BONDINT.002, etc.

MAILING INSTRUCTIONS

Complete this form as described above and either ship it or mail it with the media file(s) to:

SHIPPING

Franchise Tax Board
Service and Supply
Attn: Mag Media TEB
9645 Butterfield Way
Sacramento CA 95827

U.S. MAIL

Franchise Tax Board
Attn: Mag Media TEB
PO Box 942840
Sacramento CA 94240-6090

CUSTOMER SERVICE INFORMATION

Name _____
Telephone: () _____ Ext. _____
Address _____
_____ ZIP _____

INFORMATION CONTACT

For technical information regarding magnetic media reporting please call the Magnetic Media Unit at (916) 845-3778. For other questions regarding this reporting requirement, call (916) 845-6660.

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FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-6090

FEDERALLY TAX EXEMPT NON-CALIFORNIA
BOND INTEREST & INTEREST-DIVIDEND PAYMENTS

HARDCOPY REPORTING FORM

PAYER INFORMATION

*Name _____ *FEIN _____
*Street _____
*City _____
*State _____
*ZIP Code _____ Payment Year: _____

PAYEE INFORMATION

1. SSN	7. Amount Earned:
2. Name	8. Acct. No.:
3. Street	9. Fund Distribution Percentage:
4. City	10. CUSIP No.
5. State	CUSIP Description:
6. ZIP Code	

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2. Name	8. Acct. No.:
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CUSTOMER SERVICE INFORMATION

Mail to: Franchise Tax Board
Attn: Mag Media TEB
PO Box 942840
Sacramento CA 94240-6090

Name _____
Telephone (____) _____ Ext. _____
Address _____
ZIP _____